

Gregg M. Galardi, Esq.
Ian S. Fredericks, Esq.
SKADDEN, SLATE, MEAGHER & FLOM,
LLP
One Rodney Square
PO Box 636
Wilmington, Delaware 19899-0636
(302) 651-3000

Dion W. Hayes (VSB No. 34304)
Douglas M. Foley (VSB No. 34364)
MCGUIREWOODS LLP
One James Center
901 E. Cary Street
Richmond, Virginia 23219
(804) 775-1000

- and -

Chris L. Dickerson, Esq.
SKADDEN, SLATE, MEAGHER & FLOM,
LLP
155 North Wacker Drive
Chicago, Illinois 60606
(312) 407-0700

Counsel to the Debtors and
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - X
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
:
Debtors. : Jointly Administered
- - - - - X

**THIRD INTERIM FEE APPLICATION OF SKADDEN, ARPS, SLATE,
MEAGHER & FLOM LLP FOR COMPENSATION FOR SERVICES
RENDERED AND REIMBURSEMENT OF EXPENSES AS COUNSEL TO THE
DEBTORS FOR THE PERIOD FROM MAY 1, 2009 THROUGH AND
INCLUDING JULY 31, 2009**

Name of Applicant: Skadden, Arps, Slate, Meagher & Flom
LLP

Authorized to provide professional services to: Circuit
City Stores, Inc., et al.

Date of retention: effective November 10, 2008

Period for which compensation and reimbursement are sought: May 1, 2009 through and including July 31, 2009

Amount of compensation sought as actual, reasonable, and necessary: \$1,766,486

Amount of expense reimbursement sought as actual, reasonable, and necessary: \$80,963

This is a/an: monthly X interim final application.

The Application does not request compensation at this time for services rendered in preparing this Application. The Applicant intends to seek such compensation at a later date.

**COMPENSATION BY PROFESSIONAL PERSON
SKADDEN, ARPS SLATE, MEAGHER & FLOM LLP
MAY 1, 2009 - JULY 31, 2009**

<u>NAME</u>	<u>YEAR OF ADMISSION</u>	<u>RATE</u>	<u>HOURS</u>	<u>AMOUNT</u>
<u>PARTNER</u>				
Chris L. Dickerson	1998	\$825	110.3	\$91,044
John P. Furfaro	1980	\$945	12.2	\$11,529
Gregg M. Galardi	1990	\$945	125.8	\$118,887
David F. Levy	1995	\$775	26.3	\$20,383
Maxwell M. Miller	1988	\$945	8.8	\$8,316
	TOTAL PARTNER		283.4	\$250,159
<u>COUNSEL</u>				
Scott Brown	1997	\$760	70.7	\$53,732
	TOTAL COUNSEL		70.7	\$53,732
<u>ASSOCIATE</u>				
Sarah K. Baker	2006	\$495	586.4	\$13,014
Michelle L. Brunsvold	2005	\$540	24.1	\$3,564
David Conway	1996	\$680	58.5	\$39,780
Sarah S. Dale	2007	\$460	9.6	\$4,416
Folarin S. Dosunmu	2004	\$595	317.4	\$188,854
Mark G. Eskenazi	2008	\$395	22	\$8,690
Ian S. Fredericks	2003	\$595	403.2	\$239,910
Kellan Grant	2000	\$625	34	\$21,252
Jennifer A. Karpe	2008	\$395	45	\$17,251
Christine W. Kim	2009	\$395	31.1	\$12,286
Jessica S. Kumar	2007	\$460	320.8	\$147,591
Kelly A. Lazaroff	2008	\$395	321.2	\$126,878
Jason M. Liberi	2003	\$625	326.9	\$204,316
Jason P. Nance	2006	\$495	6.2	\$3,069
Sarah E. Ralph	2003	\$460	25.4	\$11,684
Risa M. Salins	2001	\$680	95.1	\$64,668
Christine M. Schneible	2006	\$495	27.5	\$13,638
	TOTAL ASSOCIATE		2654.5	\$1,120,861

<u>NAME</u>	<u>YEAR OF ADMISSION</u>	<u>RATE</u>	<u>HOURS</u>	<u>AMOUNT</u>
<u>PARAPROFESSIONALS</u>				
Christopher M. Heaney		\$295	119.9	\$35,373
Wendy K. LaManna		\$295	49.6	\$14,634
Philip M. Foust		\$170	29.5	\$5,015
TOTAL PARAPROFESSIONALS			199.0	\$55,226
		TOTAL	3207.65	\$1,766,486
BLENDED HOURLY RATE				\$551

COMPENSATION BY PROJECT CATEGORY
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
MAY 1, 2009 - JULY 31, 2009

Project Category	Total Hours	Total Fees
General Corporate Advice	8.8	\$7,189
Asset Analysis and Recovery	29.6	\$25,628
Assets Dispositions (General)	387.9	\$231,261
Asset Dispositions (Real Property)	62.1	\$36,243
Automatic Stay (Relief Action)	11.8	\$5,833
Business Operations / Strategic Planning	24.7	\$11,362
Case Administration	233.8	\$99,373
Claims Admin (General)	787.6	\$417,001
Credit Card Agreements	4.2	\$2,480
Creditor Meetings / Statutory Committees	24	\$19,632
Disclosure Statement / Voting Issues	67.6	\$33,892
Employee Matters (General)	219.5	\$138,994
Executory Contracts (Personalty)	17.6	\$8,700
Insurance	16	\$8,151
Intellectual Property	.2	\$189
Leases (Real Property)	539.45	\$268,781
Liquidation/Feasibility	2.9	\$1,726
Litigation (General)	183.9	\$111,024
Nonworking Travel Time* *Billed at 50%.	71.9	\$48,237

Project Category	Total Hours	Total Fees
Regulatory and SEC Matters	.2	\$189
Reorganization Plan / Plan Sponsors	209.6	\$137,487
Retention / Fee Matters (SASM&F)	41.5	\$20,983
Retention / Fee Matters / Objections (Others)	13.4	\$4,958
Secured Claims	40.7	\$20,147
Tax Matters	10.1	\$9,065
Utilities	162.8	\$80,587
Vendors Matters	35.8	\$17,374
TOTAL	3207.65	\$1,766,486

EXPENSE SUMMARY
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
MAY 1, 2009 - JULY 31, 2009

Expense Category	Total Expenses
Computer Legal Research	\$42,511
Telecommunications	\$1,448
Reproduction and Document Preparation	\$3,568
Outside Research	\$2,170
Travel	\$28,971
Courier, Express Carriers (e.g., Federal Express) and Postage	\$2,439
Electronic Document Management	\$380
Court reporting	\$3,339
Overtime	\$7
TOTAL	\$85,163

Gregg M. Galardi, Esq.
Ian S. Fredericks, Esq.
SKADDEN, SLATE, MEAGHER & FLOM,
LLP
One Rodney Square
PO Box 636
Wilmington, Delaware 19899-0636
(302) 651-3000

Dion W. Hayes (VSB No. 34304)
Douglas M. Foley (VSB No. 34364)
MCGUIREWOODS LLP
One James Center
901 E. Cary Street
Richmond, Virginia 23219
(804) 775-1000

- and -

Chris L. Dickerson, Esq.
SKADDEN, SLATE, MEAGHER & FLOM,
LLP
155 North Wacker Drive
Chicago, Illinois 60606
(312) 407-0700

Counsel to the Debtors and
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - x
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
:
Debtors. : Jointly Administered
:
- - - - - x

**THIRD INTERIM APPLICATION OF SKADDEN, ARPS,
SLATE, MEAGHER & FLOM LLP FOR COMPENSATION FOR
SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES
AS COUNSEL TO THE DEBTORS FOR THE PERIOD FROM
MAY 1, 2009 THROUGH AND INCLUDING JULY 31, 2009**

Skadden, Arps, Slate, Meagher & Flom LLP and
its affiliated law offices (collectively, "Skadden,
Arps"), counsel for the debtors and debtors in
possession in the above-captioned cases (collectively,

the "Debtors"),¹ submit this application seeking allowance of interim compensation and reimbursement of expenses under sections 330 and 331 of title 11 of the United States Code (the "Bankruptcy Code") for the period from May 1, 2009 through and including July 31, 2009, and represent as follows:

JURISDICTION

1. This Court has jurisdiction to consider this Motion under 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(b). Venue of these cases and this Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

¹ The Debtors are the following entities: The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), Prahs, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courcheval, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address was 9950 Mayland Drive, Richmond, Virginia 23233 and currently is 4951 Lake Brook Drive, Glen Allen, VA 23060.

2. The statutory predicates for the relief requested herein are Bankruptcy Code sections 330 and 331.

BACKGROUND

1. On November 10, 2008 (the "Petition Date"), the Debtors filed voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code.

3. On January 16, 2009, the Court authorized the Debtors, among other things, to conduct going out of business sales at the Debtors' remaining 567 stores pursuant to an agency agreement (the "Agency Agreement") between the Debtors and a joint venture, as agent (the "Agent"). On January 17, 2009, the Agent commenced going out of business sales pursuant to the Agency Agreement at the Debtors' remaining stores. The going out of business sales concluded on or about March 8, 2009.

RETENTION OF SKADDEN, ARPS

4. On November 20, 2008, the Debtors applied to the Court for an order authorizing them to retain Skadden, Arps pursuant to an engagement agreement dated September 1, 2008 (the "Engagement Agreement") as their

bankruptcy counsel, effective as of the Petition Date,
to provide the following professional services:

(a) advising the Debtors with respect to their powers and duties as debtors and debtors in possession in the continued management and operation of their businesses and properties;

(b) attending meetings and negotiating with representatives of creditors and other parties in interest and advising and consulting on the conduct of the cases, including all of the legal and Interim Compensation requirements of operating in chapter 11;

(c) taking all necessary action to protect and preserve the Debtors' estates, including the prosecution of actions on behalf of the Debtors' estates, the defense of any actions commenced against those estates, negotiations concerning litigation in which the Debtors may be involved and objections to claims filed against the estates;

(d) preparing, on behalf of the Debtors, motions, applications, answers, orders, reports, and papers necessary to the administration of the estates;

(e) preparing and negotiating on the Debtors' behalf plan(s) of reorganization, disclosure statement(s), and all related agreements and/or documents and taking any necessary action on behalf of the Debtors to obtain confirmation of such plan(s);

(f) advising the Debtors in connection with any sale of assets;

(g) performing other necessary legal services and providing other necessary legal advice to

the Debtors in connection with these chapter 11 cases; and

(h) appearing before this Court, any appellate courts, and the United States Trustee and protecting the interests of the Debtors' estates before such courts and the United States Trustee.²

5. On December 8, 2008, the Court entered an order (the "Retention Order") authorizing the Debtors to employ Skadden, Arps as their counsel effective as of the Petition Date pursuant to the terms of the Engagement Agreement. A copy of the Retention Order is attached hereto as Exhibit A.

INTERIM COMPENSATION

6. On December 9, 2008, the Court entered an Order Under Bankruptcy Code Sections 105(a) and 331 Establishing Procedures for Interim Compensation (the "Interim Compensation Order"). A copy of the Interim Compensation Order is attached hereto as Exhibit B.

7. Pursuant to the terms of the Interim Compensation Order, if no objection is filed to a

² Information concerning the experience and standing at the bar of Skadden's senior attorneys on this engagement are described in the application and related materials filed by Skadden in support of its retention in these cases (the "Retention Application") (D.I. 287), which is incorporated herein by reference.

monthly fee application within twenty (20) days of the date of filing of that application, then the respective professionals may be paid eighty-five percent (85%) of the fees and one hundred percent (100%) of the expenses set forth in the applicable monthly fee application.

8. Every three (3) months beginning with the three-month period ending on January 31, 2009, all professionals, including Skadden, Arps, are required to file interim fee applications for the prior three-month period. Thereafter, this Court schedules a hearing to consider such interim fee applications, including, payment of the 15% "holdback".

9. Pursuant to the Interim Compensation Order, Skadden, Arps has served each Monthly Fee Request, including time and expense detail on (i) Circuit City Stores, Inc., (ii) McGuireWoods LLP, (iii) the Office of the United States Trustee, and (iv) Pachulski Stang Ziehl & Jones LLP for each of the months in the Application Period (collectively, the "Notice Parties").

10. On June 8, 2009, Skadden, Arps served its Monthly Fee Request in the amount of \$616,477, consisting of \$590,273 for professional fees and \$22,204

for expenses relating to the period from May 1, 2009 through and including May 31, 2009. Pursuant to the Interim Compensation Order, the Notice Parties had twenty days to object to such Monthly Fee request. The 20 day period for objections expired on June 28, 2009 without any objections, at which time Skadden, Arps was entitled to payment of 85% of the requested professional fees and 100% of requested expenses, in the aggregate amount of \$523,936.

11. On August 14, 2009, Skadden, Arps served its Monthly Fee Request in the amount of \$615,168, consisting of \$580,005 for professional fees and \$35,164 for expenses relating to the period from June 1, 2009 through and including June 30, 2009. Pursuant to the Interim Compensation Order, the Notice Parties had twenty days to object to such Monthly Fee request. The 20 day period for objections expired on September 3, 2009 without any objections, at which time Skadden, Arps was paid 85% of the requested professional fees and 100% of requested expenses, in the aggregate amount of \$528,168.

12. On September 8, 2009, Skadden, Arps served its Monthly Fee Request in the amount of \$620,007, consisting of \$596,412 for professional fees and \$23,595 for expenses relating to the period from April 1, 2009 through and including July 31, 2009. Pursuant to the Interim Compensation Order, the Notice Parties have twenty days to object to such Monthly Fee request. The 20 day period for objections expires on September 28, 2009, at which time, assuming no objections, Skadden, Arps will be paid 85% of the requested professional fees and 100% of requested expenses, in the aggregate amount of \$530,545.

13. Pursuant to the Interim Compensation Order, Skadden, Arps is filing this interim fee application (the "Application") for compensation for professional services rendered and reimbursement of disbursements made in these cases during the Application Period.

RELIEF REQUESTED

14. By this Application, Skadden, Arps requests approval and payment of interim compensation and reimbursement of expenses pursuant to Bankruptcy

Code sections 330 and 331 for the period from May 1, 2009 through and including July 31, 2009 (the "Application Period").

15. Pursuant to the Interim Compensation Order, Skadden, Arps is filing the attached fee statements (the "Statements") for compensation for professional services rendered and reimbursement of disbursements made in these cases during the Application Period. Copies of the Statements are attached hereto as Exhibit C.

16. At this time, Skadden, Arps is seeking allowance of compensation equal to \$1,766.498 in fees for professional services rendered by Skadden, Arps during the Application Period as counsel to the Debtors in these chapter 11 cases. This amount is derived solely from the applicable hourly billing rates of the firm's personnel who rendered such services to the Debtors. Of this amount, Skadden, Arps has already been paid \$1,501,686, eighty-five percent (85%) of fees billed during the Application Period pursuant to the Interim Compensation Order. Accordingly, through this Application, Skadden, Arps requests payment of \$265,004,

representing the aggregate fifteen percent (15%) hold-back of fees billed for the Application Period.

17. Skadden, Arps also requests allowance of reimbursement of one hundred percent (100%) of the actual and necessary out-of-pocket disbursements and charges incurred in the Application Period, equal to \$80,963.

18. The fees and disbursements sought through this Application Period reflect total client accommodations of \$136,769.³ In the event that any objections to this Application are filed, Skadden, Arps reserves the right to seek payment for all or any part of the client accommodations.

19. This Application is made without prejudice to the firm's right to seek further interim allowances and/or a final allowance of compensation in the future in accordance with the Retention Order and the Interim Compensation Order.

³ Upon preparation of this Application, Skadden, Arps made an additional expense accommodation in the amount of \$204. This amount will be credited to the Debtors' August bill. Additionally, Skadden, Arps discovered that the amount of expenses for the month of June was understated by \$200. This amount will be added to the Debtors' August bill.

20. Skadden, Arps has received no promise of payment for professional services rendered or to be rendered in these cases other than in accordance with the provisions of the Bankruptcy Code.

BASIS FOR RELIEF

21. It is not practical to describe every phone call made, meeting attended, document generated, or other service provided in the Debtors' cases during the Application Period. Thus, this Application highlights the most significant services performed by Skadden, Arps for the Debtors during the Application Period and the attached time records contain the detail of each task performed.

22. Skadden, Arps submits that the legal services and advice that it rendered to the Debtors in connection with their chapter 11 cases during the Application Period were necessary and beneficial to the Debtors, their creditors, and their estates.

23. During the Application Period, attorneys and paraprofessionals of Skadden, Arps devoted a total of 3208.45 hours to representation of the Debtors in their chapter 11 cases. Of the aggregate time expended,

283.45 hours were spent by partners, 70.7 hours were spent by counsel, 2654.5 hours were spent by associates and 199.0 hours were spent by paraprofessionals.

Schedules showing the name and position of each such partner, counsel, associate, and paraprofessional, hours worked during the Application Period, and hourly billing rate are provided at the front of this Application.

Exhibit D provides the detail by matter of the time billed for such services.

24. Skadden, Arps' attorneys, paraprofessionals, and support staff billed their services in this case to numerous matters corresponding to particular activities in the case. Set forth on Exhibit E attached hereto are the detailed expense charges incurred during the Application Period by matter number.

DESCRIPTION OF SERVICES RENDERED

25. The following description of Skadden, Arps' services is a summary of the matters that occupied substantial amounts of attorney time during the Application Period.

I. MATTERS OVER \$200,000

26. During the Application Period, Skadden, Arps professionals devoted significant time to key matters, the time value of which exceeds \$200,000 for such matters. These matters are as follows:

**A. Claims Administration
(Amount Sought: \$417,001)**

27. During the Application Period, Skadden, Arps professionals worked closely with the Debtors to review and reconcile thousands of claims. As part of this process, Skadden, Arps professionals continued the process of objecting to and settling claims. In particular, Skadden, Arps assisted the Debtors in reviewing claims to determine their validity, conducted research related to such claims, and drafted and prosecuted numerous claim objections. Furthermore, Skadden, Arps responded, informally and formally, to dozens of motions requesting payment of administrative expenses.

28. Additionally, to help streamline the claims reconciliation process, as well as efficiently resolve the Debtors' claims against third parties,

Skadden, Arps drafted and negotiated the terms of a consensual motion to approve settlement procedures. Prior to and following approval of such procedures, Skadden, Arps professionals worked diligently to resolve many of these claims rather than engage in costly and uncertain litigation. As part of this process, Skadden, Arps professionals also worked closely with the Debtors to reconcile accounts and perform preference analyses necessary to such negotiations. Ultimately, Skadden, Arps professionals drafted numerous stipulations and 9019 motions for court-approval of these various claims settlements.

29. Finally, professionals at Skadden, Arps also fielded hundreds of inquiries from creditors with various questions related to their claims, the Debtors' objections and their responses to the same.

30. In all, during the Application Period, Skadden, Arps professionals devoted a total of 787.6 hours to claims administration matters for which compensation is sought, with a total time value of \$417,001.

B. Leases (Real Property)
(Amount Sought: \$268,781)

31. During the Application Period, Skadden, Arps facilitated the disposition of eight pieces of real property and five leases including the drafting of motions and sale orders to accomplish such dispositions.

32. Skadden, Arps professionals also objected to and entered into dozens of agreements to resolve administrative expense motions filed by many of the Debtors' ex-landlords. Moreover, Skadden, Arps professionals also devoted substantial time to negotiating with the Debtors' landlords and reconciling various outstanding lease obligations, which avoided the filing of formal motions and administrative expense requests with the Court.

33. Finally, Skadden, Arps secured the dismissal of the stub rent appeal, which resulted in substantial cost savings for the Debtors' and their estates.

34. During the Application Period, Skadden, Arps professionals devoted a total of 539.45 hours to

real property lease matters for which compensation is sought, with a total time value of \$268,781.

C. Asset Dispositions (General)
(Amount Sought: \$231,261)

35. Disposing of the Debtors' numerous classes of assets was another primary task Skadden, Arps addressed during the Application Period. Having previously negotiated and obtained approval of the disposition of their remaining inventory pursuant to an agency agreement, Skadden, Arps professionals addressed issues related to the sale of the Debtors' remaining intellectual property. Skadden, Arps professionals spent the significant time negotiating with parties for the sale of the Debtors' intellectual property assets, including preparing relevant transaction documents and two motions to sell the Debtors' intellectual property.

36. With respect to the Debtors' primary intellectual property assets, Skadden, Arps advised the Debtors in evaluating bids, negotiated a stalking horse agreement and filed and obtained approval of bidding procedures. As part of this process, Skadden, Arps engaged in extensive discussions with prospective

purchasers, attorney generals from all fifty states and the court-appointed Consumer Privacy Ombudsman concerning personally identifiable information and other privacy and deceptive trade practice concerns. As a result, Skadden, Arps was able to secure agreements with successful bidder and the approval of sales without any formal objections being filed.

37. During the Application Period, Skadden, Arps professionals devoted a total of 387.9 hours to general asset disposition matters for which compensation is sought, with a total time value of \$231,261.

II. MATTERS OVER \$100,000

38. During the Application Period, Skadden, Arps professionals devoted time to certain other matters, the time value of which exceeds \$100,000 for each. These matters are as follows:

A. Employee Matters (Amount Sought: \$138,994)

39. During the Application Period, the Debtors faced the continuing need to address issues related to, among other employee matters, the winddown incentive plan, compliance with the federal WARN Act and

other state WARN laws and litigation related thereto, employee benefits including pension, COBRA and unemployment insurance requirements, and inquiries from ex-employees.

40. As the Debtors liquidation progressed, Skadden, Arps advised the Debtors with respect to issues under the winddown incentive plan. In particular, Skadden, Arps assisted the Debtors in evaluating whether tasks were completed and to whom incentive payments should be made.

41. As the WARN Act class action and individual terminated employee litigation against the Debtors progressed, Skadden, Arps professionals devoted significant time to litigation strategy and researching and briefing the related legal issues raised in the WARN complaint.

42. Finally Skadden, Arps professionals provided analyses and advice regarding COBRA obligations, vacation payment obligations, pension benefits, medical plan, severance issues, unemployment insurance requirements and other employee compensation and benefits matters.

43. During the Application Period, 219.5 hours were spent on such employee matters for which compensation is sought, with a time value of \$138,994.

B. Liquidation Plan
(Amount Sought: \$137,487)

44. Upon completing the disposition of the majority of the Debtors' assets, Skadden, Arps professionals drafted the Debtors plan of liquidation and associated documents and pleadings. This task involved working closely with the Debtors, their advisors, with the plan's co-proponents and the Creditors' Committee so that the plan and disclosure statement filed would be acceptable to all parties in interest and maximize the value obtained by the Debtors and their estates.

45. During the Application Period, Skadden, Arps professionals devoted a total of 209.6 hours to preparing a plan of liquidation for which compensation is sought, with a total time value of \$137,487.

C. Litigation
(Amount Sought: \$111,024)

46. During the Application Period, Skadden, Arps assisted the Debtors with many matters related to

pending and potential litigation. In particular, Skadden, Arps investigated bankruptcy avoidance actions against various parties in interest, as well as general breach of contract actions.

47. During the Application Period, Skadden, Arps professionals devoted a total of 183.9 hours to matters pertaining to litigation initiated against and on behalf of the Debtors for which compensation is sought, with a total time value of \$111,024.

III. MATTERS OVER \$50,000

48. During the Application Period, Skadden, Arps professionals devoted time to certain other matters, the time value of which exceeds \$50,000 for each. These matters are as follows:

A. Case Administration (Amount Sought: \$99,373)

49. During the Application Period, Skadden, Arps worked with the Debtors' management and other professionals to address the winddown of the Debtors' business operations.

50. Skadden, Arps professionals also coordinated among themselves and the Debtors other

professionals to ensure the most efficient administration of the Debtors' chapter 11 cases regarding. Among other things, this included prioritizing matters, reviewing pleadings filed by parties in interest, drafting of motions and objections, preparing for and attending hearings, and other general case related matters.

51. Finally, Skadden, Arps professionals responded to various inquiries of parties in interest concerning various case related matters.

52. During the Application Period, Skadden, Arps professionals devoted a total of 233.8 hours to case administration for which compensation is sought, with a total time value of \$99,373.

B. Utilities
(Amount Sought: \$80,587)

53. During the Application Period, professionals at Skadden, Arps worked with the Debtors to reconcile utility deposits and utility demands for payment from the utility blocked account, as well as claims against various utility bonds. In particular, Skadden, Arps worked with the Debtors and the third

party vendor that administers the Debtors' utility accounts to ensure that utility services had been terminated and responsibility for the accounts was transitioned to various landlords and other responsible parties. As part of this process, Skadden, Arps assisted the Debtors in obtaining the return of utility security deposits and worked with Bank of America to address blocked account payment requests. Additionally, Skadden, Arps worked with Safeco Insurance Company, the obligor under the Debtors' utility bonds, to reconcile bond claims, and the Debtors and Safeco negotiated a procedure to terminate such bonds and provide for the return of collateral securing such bonds.

54. Professionals at Skadden, Arps spent 162.8 hours working on utilities matters, with a total time value of \$80,587.

IV. MATTERS OVER \$10,000

55. During the Application Period, Skadden, Arps professionals devoted time to certain other matters, the time value of which exceeds \$10,000 for each matter. These matters are as follows:

A. Non-Working Travel Time
(Amount Sought: \$48,237)

56. Skadden, Arps professionals were required to attend numerous hearings, meetings with the Creditors' Committee and auctions. Skadden, Arps professionals also frequently traveled to the Debtors' corporate headquarters to conduct meetings and review issues concerning the Debtors' chapter 11 cases with management personnel and other professionals.

57. Non-working travel time constituted 71.9 hours of time spent by Skadden, Arps for which compensation is sought, with a time value of \$48,237, representing fifty percent (50%) of the total time value.

B. Asset Dispositions (Real Property)
(Amount Sought: \$36,243)

58. As mentioned above, Skadden, Arps helped the Debtors dispose of eight parcels of owned real property and five leases during the Application Period. Doing so required drafting bidding and auction procedures, negotiation with landlords and subtenants to resolve objections to both the sale procedures and the ultimate sale and assignments, reconciling cure amounts under the leases, and drafting various documents to

effectuate the sale and assignment of the properties and leases. Ultimately, Skadden, Arps assisted the Debtors in obtaining approval of the each of these sales and assignments.

59. During the Application Period, 62.1 hours were spent on these issues for which compensation is sought, with a total time value of \$36,243.

**C. Disclosure Statement/Voting Issues
(Amount Sought: \$36,243)**

60. During the Application Period, Skadden, Arps professionals drafted the Debtors' disclosure statement. In doing so, Skadden, Arps professionals conducted a thorough review of the Debtors' businesses, the progress of the Debtors' chapter 11 cases and the value of the Debtors' estates.

61. In addition, Skadden, Arps also began drafting a motion and procedures for the solicitation of votes on the Debtors' liquidation plan.

62. Skadden, Arps professionals spent a total of 146.7 hours preparing the Debtors' disclosure statement and solicitation pleadings. In connection

with such matters, Skadden, Arps seeks compensation in the amount of \$36,243.

**D. Asset Analysis and Recovery
(Amount Sought: \$25,628)**

63. During the Application Period, Skadden, Arps professionals worked with the Debtors and FTI to liquidate the Debtors remaining assets. These included, among other assets, the Debtors' intellectual property assets, the Debtors' service contract and warranty business, and accounts receivables with values in the tens of millions of dollars.

64. Skadden, Arps professionals spent 29.6 hours working such asset analysis and recovery matters. In connection with such matters, Skadden, Arps seeks compensation in the amount of \$25,628.

**E. Retention/Fee Matters (Skadden)
(Amount Sought: \$20,983)**

65. During the Application Period, Skadden, Arps professionals prepared the firm's second interim fee application and supplemental affidavit of disclosures relating to its representation of the Debtors. As to the former, Skadden, Arps reviewed time records of its professionals and summarized the work

that had been done on each matter. As to the latter, Skadden, Arps reviewed any connections and necessary disclosures regarding entities on the 2002 list, as well as connections and necessary disclosures discovered in reviewing responses of Skadden, Arps' professionals to the bankruptcy disinterestedness screening questionnaire. Finally, Skadden, Arps professionals updated disclosures made in its initial retention application to reflect connections with parties in interest that arose since the preparation of that retention application.

66. During the Application Period, 41.5 hours were spent on these issues for which compensation is sought with a time value of \$20,983.

F. Secured Claims
(Amount Sought: \$20,147)

67. During the Application Period, Skadden, Arps professionals reviewed the secured claims of, among other parties, consignment vendors and bond holders. Skadden, Arps provided both formal objections to and informal responses to many of the claims and responded to numerous inquiries by holders of such claims regarding, in particular, payment.

68. During the Application Period, 40.7 hours were spent working on matters related to secured claims, for which compensation is sought, with a time value of \$20,147.

**G. Creditor Meetings/Statutory Committees
(Amount Sought: \$19,632)**

69. During the Application Period, Skadden, Arps professionals prepared for and attended numerous meetings and teleconferences with the Creditors' Committee or its professionals.

70. During the Application Period, 24 hours were spent on these matters for which compensation is sought, with a time value of \$19,632.

**H. Vendor Matters
(Amount Sought: \$17,374)**

71. As discussed above, Skadden, Arps professionals assisted the Debtors in evaluating and reconciling accounts outstanding with thousands of vendors. As part of this process, Skadden, Arps professionals drafted and responded to numerous vendor demand letters to collect receivables due or owing to, respectively, the Debtors. Certain of these demands were settled through stipulations. For others, Skadden,

Arps also began drafting formal complaints to recover the receivables at issue.

72. During the Application Period, 35.8 hours were spent working on matters related to vendors, for which compensation is sought, with a time value of \$17,374.

**I. Business Operations/Strategic Planning
(Amount Sought: \$11,362)**

73. As part of its representation of the Debtors, Skadden, Arps drafted and filed several claims in bankruptcy cases in which the Debtors were creditors.

74. During the Application Period, 24.7 hours were spent working these matters for which compensation is sought, with a time value of \$11,362.

V. MATTERS UNDER 10,000

75. Skadden, Arps devoted time to other matters for the Debtors, the time value of which is less than \$10,000 for each matter. These matters included tax matters, executory contracts, intellectual property, insurance matters, general corporate advice, matters involving credit card agreements, regulatory and SEC matters, attempts to lift the automatic stay, retention

and fee matters relating to other professionals, and liquidation and feasibility analyses. Skadden, Arps devoted a total of 145.5 hours to these matters and seeks compensation for these matters in the aggregate amount of \$66,665.

ALLOWANCE OF COMPENSATION

76. **Compensation Sought.** Because of the benefits realized by the Debtors, the nature of these cases, the standing at the bar of the attorneys who rendered services, the amount of work done, the time consumed, the skill required, and the contingent nature of the compensation, Skadden, Arps requests that it be allowed at this time all compensation for the professional services rendered during the Application Period. Additionally, Skadden, Arps seeks payment of the remaining fifteen percent (15%) of the of the value of professional services rendered during the Application Period totaling \$265,004. Skadden, Arps reserves the right to return to this Court seeking reimbursement for amounts related to work performed or expenses incurred during the Application Period but not yet reflected in the firm's time records or to amend the amounts listed

herein to correct any bookkeeping errors. In the event that a subsequent review reveals that additional professional services have been rendered or expenses have been incurred on behalf of the Debtors during the Application Period, which were not processed by the firm's accounting system before the time of this Application, Skadden, Arps reserves the right to seek such additional fees and expenses by subsequent application to the Court.⁴

77. Skadden, Arps achieved cost efficiencies by employing a streamlined case management structure. Instead of assigning various attorneys to the myriad of tasks that arose during these cases, Skadden, Arps designated a core group of associates who were assigned responsibility for specific matters and types of matters. This (i) allowed some attorneys to work almost exclusively on discrete matters in the Debtors' cases, (ii) permitted the case to be staffed with as little partner involvement as appropriate, and (iii) enabled

⁴ Skadden further reserves the right to request additional compensation at a later date for time spent preparing this interim fee application.

Skadden, Arps to avoid performing duplicative or unnecessary work.

78. **Reimbursement of Expenses.** Skadden, Arps has disbursed, and requests allowance reimbursement for \$80,963, which represents actual, necessary expenses incurred in the rendition of professional services in these cases.⁵

79. Other than between Skadden, Arps and its affiliated law practices and their members, no agreement or understanding exists between Skadden, Arps and any other person or persons for the sharing of compensation received or to be received for professional services rendered in or in connection with these cases, nor will any be made except as permitted pursuant to Bankruptcy Code section 504(b)(1).

⁵ Exhibit E to this Application provides further information and detail concerning the firm's expenses.

WHEREFORE, Skadden, Arps respectfully requests

(a) approval of interim compensation for professional services rendered as attorneys for the Debtors in the sum of \$1,766,498 for one hundred percent (100%) fees incurred during the Application Period;

(b) authorization for payment of \$265,004 as fifteen percent (15%) of fees held back; (c) approval of reimbursement of actual and necessary expenses incurred in the sum of \$80,963; and (d) such other and further relief as is just and proper.

Dated: September 14, 2009

SKADDEN, SLATE, MEAGHER & FLOM LLP

/s/ Gregg M. Galardi

Gregg M. Galardi (I.D. No. 2991)
One Rodney Square
P.O. Box 636
Wilmington, Delaware 19899-0636
(302) 651-3000

- and -

MCGUIREWOODS LLP

/s/ Douglas M. Foley

Dion W. Hayes (VSB No. 34304)
Douglas M. Foley (VSB No. 34364)
One James Center
901 E. Cary Street
Richmond, Virginia 23219
(804) 775-1000

EXHIBIT A

(Retention Order)

EXHIBIT B

(Interim Compensation Order)

EXHIBIT C

(Statements)

EXHIBIT D

(Detail of Time Billed)

EXHIBIT E

(Detail of Expenses)